



U.S. MILITARY AND GOVERNMENT PRESENCE

A. Post-Cold War Developments

Force Transformation

- During the four decades of the Cold War, the U.S. military in Germany was a massive, geographically dispersed defensive force focused on deterring a Soviet armored thrust into Western Europe. The end of the Cold War and a growing need to respond to regional contingencies led the U.S. military to transform its forces in Germany into a more modestly sized, geographically concentrated, mobile response force capable of rapid force projection and out-of-area operations. This transformation, much of which occurred during the first half of the 1990s, resulted in a significant reduction of the U.S. military presence in Germany.

Overseas Base Consolidation

- Between January 1990 and February 1995, the Department of Defense announced twenty rounds of overseas base closures. Eighteen of these rounds affected 636 separate sites in Germany (556 operated by the U.S. Army, the remaining 80 by the U.S. Air Force).
- During that five-year period, the U.S. military closed 88 percent of its bases and smaller facilities in Germany entirely and significantly scaled back its presence at remaining locations.
- By 1995, the U.S. military returned over 54,385 hectares (more than 130,000 acres) of land to the German government -- an amount of acreage approximating that of the German federal state of Bremen, or an area twice the size of the District of Columbia.

Drawdown Consequences

- Many of these bases and facilities had been operated by the U.S. military for nearly half a century, and a close relationship developed between the U.S. military and those local communities where they maintained a presence. The closure of these military bases made a major psychological and economic impact on the communities they were located in, particularly in lost contract spending, the service industry, and real estate markets.
- Between 1991 and 1995, 32,446 German local national employees lost their jobs because of the closure of these U.S. military bases. Annual U.S. military expenditures in Germany, nearly \$10 billion in 1989, decreased to less than \$5 billion by 1995.

B. Current U.S. Military Expenditures in Germany

Direct Infusion of U.S. Military Funds into the German Economy.

- The estimated direct U.S. military economic impact on the local economy in Germany was \$5 billion during FY 2007 -- \$2.9 billion spent by the U.S. European Command and U.S. Army (EUCOM/Army), and another \$2.1 billion by the U.S. Air Force, Europe (USAFE). This figure represents payments (made in Euros) for utilities, supplies, equipment, contracts, engineer projects, and local national salaries.
- As of May 2008, the Army Air Force Exchange Service employed 2,769 German nationals, the U.S. Army employed 10,677, and the U.S. Air Force 3,015.
- The EUCOM/Army direct expenditure figure of \$2.9 billion includes \$156 million in living quarters and cost of living allowances paid to U.S. civilian employees. These figures are reported in dollars, but allowances are converted to Euros and used to pay for living expenses in the local economy.
- Telephone support to US Army units in Germany accounts for an additional \$12 million.
- During FY 2007, USAFE's total economic impact on the German economy was \$2.1 billion, with \$1.2 billion accounted for by Ramstein airbase alone. Another \$505.3 million was spent in connection with Spangdahlem airbase, and the remaining \$357.5 million in connection with USAFE facilities and activities elsewhere in Germany. USAFE employed 819 German nationals at Ramstein airbase and 833 at Spangdahlem.

Indirect Infusion of U.S. Military Funds into the German Economy

- The \$5 billion direct economic impact figure does *not* include salary payments, made in dollars, to U.S. military and civilian personnel stationed in Germany, who spend varying amounts of those salaries in the German economy. However, factoring in a conservative local spending estimate of less than 20 percent of those salaries (for expenses like daily transportation, communication, services, leisure travel, and entertainment in Germany) would add an additional \$872 million to the total U.S. military expenditures in Germany.

Regional Economic Impact - Then

- The economic impact of U.S. military expenditures is particularly significant when considered in terms of its impact on specific cities and regions of the country. In the post-war era, the U.S. military presence in Germany was overwhelmingly located in its (and France's) post-war zone of occupation.

- During the Cold War era, 97% of U.S. defense expenditures in Germany were in four federal German states -- Rhineland-Palatinate (34%), Bavaria (26%), Hesse (20%) and Baden-Württemberg (17%). In Rhineland-Palatinate, home to the Kaiserslautern Military Community and Ramstein Air Base, income derived from the U.S. military accounted for well over a third of that federal state's gross domestic product in 1989.

Regional Economic Impact - Now

- The regional focus of U.S. military expenditures in Germany continues today. For EUCOM/Army, the four federal states of Bavaria (\$1.1 billion), Baden-Wuerttemberg (\$828 million), Rhineland-Pfalz (\$582 million), and Hesse (\$416 million) account for virtually all of the \$2.9 billion infused during FY 2007.
- U.S. Air Force expenditures were similarly concentrated, with the federal German state of Rhineland-Pfalz (home to Ramstein and Spangdahlem airbases) receiving most of the expenditures.
- Taking into account both EUCOM/Army and USAFE infusions into the local economy, Rhineland-Pfalz benefited from \$2.4 billion during FY 2007 -- nearly half of the approximately \$5 billion spent by the U.S. military in Germany that year.

C. Continuing U.S. – German Cooperation

Landstuhl Regional Medical Center (LRMC)

- As the case of Landstuhl military hospital demonstrates, the impact of the U.S. military in Germany cannot always be quantified in terms of dollars or Euros. The LRMC is the largest military hospital outside of the United States, and the first destination for serious U.S. military casualties medically evacuated from Iraq and Afghanistan. Flown in to nearby Ramstein Air Base, wounded U.S. service members are quickly transported to nearby LRMC for treatment.
- Since 2003, more than 8,000 wounded service members have been treated at LRMC, while another 40,000 military and DoD civilian and family member patients have received treatment for a wide range of injuries and ailments. In March 2007, an article in the German news magazine *Der Spiegel* acknowledged LRMC's impact in non-economic terms:¹

Here, America is everyone's next-door neighbor. Fifty thousand US citizens live in the area, and not just behind fences at the bases in Ramstein and Vogelweh. Many have settled in the region, playing tennis at German clubs, donating items to their

¹ Ullrich Fichtner, "The German Front in the Iraq War: A Visit to the U.S. Military Hospital at Landstuhl," *Der Spiegel* (online edition), 14 March 2007.

children's kindergartens, getting married and spending their evenings eating popcorn at the Broadway Movie Theater. It's hard to be anti-American in this region. ...Landstuhl feels like a German front in this war.

Ramstein Air Base

- Since the end of the Cold War, the U.S. military has relied heavily on U.S. air bases in Germany to support U.S. Air Force operations in Iraq (1991), Bosnia-Herzegovina (1995-2000), Kosovo (1999), Afghanistan (2001 to present) and Iraq (2003 to present). With the closure of Rhein-Main and Spangdahlem air bases, Ramstein has become the hub of U.S. military air operations in continental Europe.

Transit Flights

- In addition to the \$5 billion in USAFE and EUCOM/Army direct expenditures during 2007, the Defense Department also spent €3.8 million (approximately \$5.7 million) chartering transit flights for military personnel to and from Iraq and Afghanistan.

D. German Military Presence in the United States

- The presence of German military personnel in the United States is a less well known aspect of the German-American defense relationship.
- In 2008, Germany has approximately 1,350 personnel at over 40 locations in roughly half of the American states. The majority of these personnel serve as liaison officers to U.S. military commands or attend training at U.S. military facilities.
- The majority of German military personnel training in the U.S. participate in the Euro/NATO Joint Jet Pilot, Helicopter, Tornado Flight, and Weapon Systems Operator training programs. German military personnel also undergo Patriot missile training at the Army Air Defense Artillery Center and School in Fort Bliss, TX. The German Air Force conducts all phases of Tornado aircrew training (initial qualification, instructor upgrade and fighter weapons instructor training) at Holloman Air Force Base in Alamogordo, NM. Such U.S.-based training has helped cement relations between our respective air forces since the 1960s.

E. Military Training

U.S. Military Personnel Attending German Military Schools

- The number of U.S. military personnel attending German military schools is much lower (less than 100) than the number of military personnel Germany sends for training and education in the United States each year (more than 500). Despite the lower

numbers, there are a number of noteworthy interactions in this area. For example, a number of U.S. military officers attend the German military's Leadership Academy in Hamburg, and a U.S. Army officer currently occupies a full-time position on the Academy's staff. Students from the U.S. military academies attend multi-week language and cultural immersion programs at German civilian facilities, and a number of U.S. military personnel are assigned in liaison officer (LNO) positions at various German headquarters organizations.

German Military Personnel Attending U.S. Military Schools

- Germany conducts the largest Foreign Military Sales (FMS) training program in Europe with the U.S. Germany spends well over \$100 million per year to send more than 500 students annually to U.S. military schools, including the Air War College, Air Command and Staff College, Naval War College, Naval Staff College, Naval Postgraduate School, Command and General Staff College, Army War College, Armed Forces Staff College, and the National Defense University. German military personnel also attend branch and specialty courses such as Medical Corps; Nuclear, Biological, and Chemical Corps; and Special Forces Training.

F. Military Sales

- The U.S. and Germany conduct a full range of defense cooperation activities. Chief among these activities is the support of U.S. Foreign Military Sales (FMS) of defense articles, services, and training.

U.S. Foreign Military Sales to Germany

- Germany has procured, and continues to support, many of its most important armaments systems through FMS cases totaling nearly \$200 million annually.
- Other areas of defense cooperation include armaments research, development and production; testing and evaluation programs; defense industrial cooperation; cooperative logistics; direct commercial sales; and the international transfer of defense articles from various sources.

U.S. Military Purchases of German-Manufactured Equipment

- The German Ministry of Economics and Technology provides data to the Bundestag each year indicating that since 2001, the U.S. has been Germany's largest importer of defense equipment, with annual U.S. military purchases of German-made items exceeding \$100 million.
- A noteworthy example of German defense industry success in America is the U.S. Army's June 2006 award of a \$3 billion contract to Eurocopter to replace all UH-1s and OH-58s with at least 322 EC-145 (UH-72 Lakota) helicopters between 2006 and 2015.

Eurocopter was selected over U.S. competitors Bell-Textron and Team MD (MD Helicopters of Mesa, AZ in partnership with Lockheed-Martin), and the British-Italian consortium Augusta Westland. The Army's UH-72 Lakotas are assembled by 330 employees in a newly-constructed 325,000 square foot facility in Columbus, MS.

- Other successful German entries in the U.S. defense market include aircraft and marine engine sales by MTU Friedrichafen GmbH and their subsidiaries.
 - The MTU Series 8000 CODAG propulsion system has been selected to power General Dynamics' entry in the Navy's Littoral Combat Ship (LCS) competition. Each ship requires two CODAGs, and the final contract may include more than 60 ships.
 - MTU Detroit Diesel has been selected as sole source contractor for the U.S. Coast Guard's National Security Cutter (NSC) Program. Two MTU CODAGs are already installed on the lead ship Berthold, with seven more ships planned.
 - In 2007, MTU Aero Engines won contracts to supply a number of key components to GE's F414 and F404 engine lines. The F414 powers the U.S. Navy's F/A-18E, F & G model Super Hornets, while the F404 is installed in several aircraft types worldwide and is one of the most successful engine lines in aviation history.
- The U.S. Coast Guard has awarded a \$110 million contract to EADS Casa for the first three of up to 36 twin-engine HC-235A maritime patrol aircraft to be delivered through 2017.

G. USG Presence

- Since October 2003, the U.S. Embassy has contributed nearly \$700 million to the German economy.
- The Embassy expects to spend approximately \$70 million in the current fiscal year.
- The U.S. Embassy employs more than 700 locally engaged staff throughout Germany.
- More than 40,000 residents in Germany receive U.S. retirement and other benefits totaling more than \$250 million annually.

U.S. Embassy Berlin. February 2009.